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Everyone agrees, also, that Germany is an essential factor in the reconstruction of continental Europe, but if the Russian machinery can be put in fairly good shape, the economic engine of Europe will reestablish its rhythm and Europe will be on its feet again.

SUMMARY

To summarize, it is my firm belief that the general reconstruction of the world's business may be and will be hastened by:

1. Making up for the inevitable errors embodied in the Treaty of Versailles;
2. Continuing to create and maintain a spirit of mutual confidence among the principal powers of the world;
3. Creating of world machinery for international credit, currency and exchange problems;
4. Promoting an international "peace holiday" followed by immediate reduction of land armaments;
5. Redistribution of raw materials so as to insure, as far as possible, the minimum indispensable to the life of every nation;
6. Rechecking of international war debts on the basis of cost and not profit to the lending powers;
7. Cancellation of that part of the international war debts representing direct or indirect profit to the lending powers;

8. Refunding of international war debts into long-period obligations whose maturity and payments of principal and interest, as well as rate of interest, shall be determined not according to general rules or policy, but after taking into account the resources of each debtor nations; principal and interest, when due, to be paid at the rate of exchange prevailing in 1914, and not, in any case, to exceed that prevailing when war loans were made.

9. Revising of war reparations clauses so as to fix the amount to be paid in cash and goods independently of any other condition.

10. Recognition of the Russian government under conditions established by joint conference of the powers represented at Genoa and the United States, a recognition which should be kindly and eagerly sought for by all.

Above all else, to the restoration of Europe, restoration of confidence is essential. The Genoa meeting has begun the work for the reestablishment of coöperation and mutual respect and confidence. Let us hope that other peoples who have to their credit unblemished records of high, unselfish, unbiased achievements will, as soon as conditions will permit it, join hands with Europe and proceed together onward to the reconstruction of a better world.

Economic Reconstruction of Germany

By KARL LANG

Charge d' Affaires, German Embassy

WE have all heard much of the Treaty of Versailles and yet how many of us have actually read the Treaty and understood its various and complicated clauses? We have all heard it said that Germany is not fulfilling her obligations under that Treaty, obligations she was forced to sign, and that this non-fulfillment is owing not to Germany's incapacity to

fulfill, but to her unwillingness to fulfill the obligations imposed upon her. Now I cannot hope to put before you all that Germany has done in the last few years in order to show you in full how much Germany's capacity in the fulfillment of the Treaty of Peace is limited and that Germany, however hard she may try, cannot go beyond this capacity, but I should like to give

a short outline of the actual situation as it is at the present day in Germany that you judge for yourselves and form your own opinion as to what Germany has done and what she can do in the future.

Germany, as you know, is situated in the centre of Europe. Almost all European highways of commerce from the North Sea and the Baltic Sea to the south of Europe and between the east and the west of Europe have always passed through Germany. This fact alone shows how dependent upon each other are the nations of Europe in questions regarding transport, and in the same way each of the countries of Europe has always produced some merchandise of a peculiarly excellent quality favored in predilection by the others. Thus since olden times European nations have been linked together by mutually buying and selling from each other. And since the United States developed her natural resources, she also has participated in this international economic intercourse.

During the last fifty years Germany had developed into one of the largest workshops of the world. In ever-increasing quantities she bought raw materials from other countries and was in this regard one of the best customers of the United States, from whom she procured enormous quantities of cotton, copper, grain, lard and other such commodities. These exports of the United States to Germany amounted to more than 13 per cent of the entire export trade of the United States. The raw materials imported into Germany were there manufactured with the purpose of reëxportation. Even in the years before the War there was never an excess of exports over imports in Germany; a balance was always established by income on investments abroad and international shipping service.

IMMEDIATE EFFECTS OF THE WAR

At the end of the War Germany found herself deprived of nearly every kind of raw material. Her foodstuffs were by far insufficient to feed her population, her soil was completely exhausted through the lack of fertilizers, her cattle were underfed and her population was starving in consequence of a blockade which was maintained for about nine months after the cessation of hostilities. To meet the most urgent demands for raw materials, foodstuffs and fertilizers, the trade balance and the paying balance both necessarily had to become unfavorable for Germany and will remain so for years. German private property in the victorious countries was expropriated. I may mention here that the United States so far has not joined these proceedings and if it adheres to this policy of regarding private property as sacred, everyone will know in which country to invest his money where it will not be touched in the event of international trouble's occurring in the future. Germany's colonies were taken from her as well as rich parts of her territory, such as the coal fields in Upper Silesia and of the Saar Valley, as well as her mercantile marine and a considerable part of the railway stock. With all these losses Germany is yet obliged to deliver to the allied nations continuously large amounts of coal, dies, chemicals, etc., without any reimbursement whatsoever. Since the Treaty of Versailles up to April last the wealth of the German people has been cut down by not less than approximately 45 billion gold marks, made up as follows:

	<i>Billion Gold Marks</i>
German property abroad liquidated . . .	11.7
Tonnage handed over	5.7
State property in ceded districts	6.5
Railway and traffic material handed over	2.0

	<i>Billion Gold Marks</i>
Deliveries (non-military) in kind	5.8
Forfeiture of German claims against Germany's former war allies	7.0
Saar coal mines	1.1
Deliveries of coal (value as per world market price)	1.3
Cash payments on reparation account	1.3
Miscellaneous items	3.2
Total	45.6

I do not think that this deficit finds a parallel in the history of nations. In this total the equivalent for the ceded West Prussian territory as well as Upper Silesia is omitted. If these two most essential items are included, an aggregate considerably exceeding 100 billion gold marks will be reached. Also, the value of the lost colonies is not taken into account. Furthermore, the exhausted country is charged for the maintenance of the various commissions of the victorious and creditor nations in Germany at the cost of the population. I may, for instance, mention the Reparations Commission which consists of 171 persons and the costs of which amount to 32 million marks a month. The commission which purports the control of the disarmament of Germany costs no less than 23 million marks a month and consists of about 1,500 persons. I quote these figures from a speech made by Lord Newton in the British House of Lords.

THE SO-CALLED GERMAN PROSPERITY

Foreigners, however, traveling in Germany and getting only superficial glimpses of the conditions there, are easily led into a misconception of the true situation. Factories are running and very little unemployment is noticeable at present; one might even observe certain signs of luxury in the larger cities, especially in the hotels frequented by foreigners, who often come to the conclusion that a certain prosperity exists in Germany. What

is the real truth about this so much talked of prosperity in Germany? This prosperity is to a very great extent absorbed in a two-fold manner, non-existent before the war: (1) by the payment of reparations; (2) by the increased imports of foodstuffs owing to the decline of German agriculture. Let me put that somewhat more explicitly. The reparations paid by Germany during the course of the last year amounted to $1\frac{1}{2}$ billion gold marks. This sum is the product of work done during one year by a million German workmen and women. The imports of foodstuffs, greatly increased owing to the decline of German agriculture, and the loss of German territories amounted in value during the last year to 2 billion gold marks and this, again, is the product of work done by a million Germans during one year.

Thus millions of Germans have every year to work in order, to a certain extent, to bring about economic conditions as they were before the War. The work of millions of people is done and no compensation achieved. Thus whereas employment in the country may be widespread, it is anything but productive. As for the profits of Germany's enterprises, they may be illustrated by the consideration that if a company distributes, for instance, a dividend of 20 per cent in paper marks, this is only $\frac{1}{4}$ of one per cent of her plants constructed during the times of gold mark currency. A dividend of 100 per cent in paper marks would be only one-half of one per cent of the gold mark value of the plants. In the meantime, the index figures for the maintenance of a family in Germany in August, 1921, have reached 14 times those of the times preceding the War. In March, 1922, they were 32 times as great. Prices for grain were then 53 times as much as in August, 1914. The consumption

of meat in 1921 was only 40 per cent, the consumption of bread only 24 per cent of that of pre-war times. The standard of living of the German population is now far below the standard of that in any other European country. The middle classes, formerly the pillars of order and of intelligence, by whom formerly most taxes were paid, have suffered beyond description and are in a state of dissolution.

DECLINE OF GERMAN CURRENCY

So much for the facts of the so-called present German prosperity. I may add a few words concerning the decline of the German currency. When the War came to an end, the value of the paper mark was only 40 per cent of the gold mark. Forced payments, excessive imports over exports, could not be met by any other means but by selling marks abroad. This led to a permanent decline of the value of the mark, which in turn brought about a rise in prices, wages and salaries, thus increasing the demand for paper currency in circulation. Ever since the reparation payments began, the decline of the mark value became still worse, for there was no other means for the German government to procure the missing amount due, but to buy dollars, pounds sterling or francs in the money market. No financial expert in the world has been able as yet to give sound advice as to any other course of action.

To bring about sound economic conditions in Germany, it would be necessary, first of all, to balance the budget, but there, again, no expert has as yet been in a position to say how this could be done as long as the devaluation of the mark continues. Germany has achieved a balance of the state railway and the postal budgets by increasing passenger and freight rates, by dismissing more than 40,000

employed, etc., and has abandoned the system of giving government food subsidies to help the poor, who are themselves unable to pay for what they need. In the budget for 1922 there were then 300 billion paper marks on the expenditure side. Of these expenditures, there were only about 100 billions for the interior needs of the country and not less than 200 billions for the execution of the Versailles treaty. Since this budget has been drawn up, the renewed devaluation of the mark has almost doubled the above-mentioned expenditures. From this it appears that the balancing of the budget depends entirely on the rise or fall of the mark. If the mark falls at such a rate as in the last few months, it is impossible to follow with new taxes quickly enough to enable a balancing of the budget. Consequently, new paper marks must, of course, again be issued. This does not apply to the reparation budget which cannot be balanced at all under the present conditions.

TAXES

As for new taxes, the German taxation is already the highest of all European countries. In an appendix to the note of the German government of January 28, are given taxation figures in Germany, France and England which clearly show that the German taxpayer pays a higher percentage of his income than the taxpayers in other countries. These figures were printed in the *New York Journal of Commerce*, April 6. Still higher taxes are not likely to bring greater revenues; they would only lead to a depression in business activity.

According to the unanimous opinion of all impartial experts there is only one method for the economic reconstruction of Germany and that is the speedy and considerable reduction of the ex-

aggerated reparation payments and a breathing interval for at least a number of years in which no payments ought to be made at all. Added to that must be a considerable loan, in which Ger-

many hopes that the United States will take part, for it seems that a collapse of Germany and consequently of other European nations is inevitable if the United States continues to stand aside.

Possibilities of the Economic and Financial Reconstruction of Austria

By EDGAR L. G. PROCHNIK

Charge d'Affaires of Austria

THE present state of affairs in Austria is the natural outcome of the liquidation of the world's greatest war, a liquidation which responsible persons on both sides of the former contesting parties have by now realized and openly admitted to be a great failure, one of the greatest mistakes ever made in history. While all Europe has, as a matter of course, to bear for some time to come the disastrous consequences naturally emanating from a war of such dimensions and duration, Austria, in particular, was burdened with additional weights, so ponderous that they would have crushed even a strong and flourishing country just emerging from a period marked by a normal and prosperous development of its economics. Austria was expected to shoulder this burden at a time, when a protracted war, during which she was hermetically shut out from contact with the outer world, had entirely depleted her resources. When the war closed, there was no food, no coal, no raw materials in the country and the system of communication was at a breakdown. Austria, emerging from the war a bleeding, mangled body, was expected immediately to rearrange her whole economic structure, to transform herself by magic power from a self-supporting country into one that could secure a livelihood for its

population only through an extensive production and export, and this at a moment when there was hardly any means of production left in the country, and no solvent buyer stirring abroad.

ECONOMIC EFFECTS OF NEW BOUNDARIES

Austria's financial troubles first started with the fixing of her boundaries. She has, indeed, the rare but sad distinction of being a country without boundaries, i. e., without natural, or ethnographic, or economic boundaries, suggesting in her outlines rather the tracings of a youngster who was left on a highchair playing with a map of Europe and some colored pencils, than the cartographic reproduction of a geographical unit.

Her troubles started, moreover, with the total lack of any plans which might have been adopted in order to mitigate, as much as possible, the disastrous results of the political dismemberment of the former Austro-Hungarian Monarchy, on the delicate structure of its economics. It was this total disregard of the economic interests, manifested, for instance, in the nostrification of the notes of the former Austro-Hungarian Bank by the various countries which were created by the dismemberment of the former Dual Monarchy or to which territory of